

## Message Text

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67

ACTION EUR-25

INFO OCT-01 ADP-00 AID-20 CIAE-00 COME-00 EB-11 FRB-02

INR-10 NSAE-00 RSC-01 TRSE-00 XMB-07 OPIC-12 CIEP-02

LAB-06 SIL-01 OMB-01 L-03 RSR-01 PA-03 PRS-01 USIA-12

STR-08 /127 W

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R 131305Z JUL 73

FM AMCONSUL MILAN

TO SECSTATE WASHDC 3320

INFO AMCONSUL NAPLES

AMEMBASSY ROME

AMCONSUL TURIN

UNCLAS MILAN 1245

E.O. 11652: N/A

TAGS: BIND, BBAK, IT, US

SUBJ: ALLIS-CHALMERS AND FIAT AGREEMENT

1. FIAT AND ALLIS CHALMERS SIGNED AGREEMENT JULY 12 FORMING JOINT ENTERPRISE TO COMBINE THE WORLDWIDE PRODUCTION AND DISTRIBUTION OF EARTHMOVING MACHINERY. TO BEGIN OPERATIONS AT THE BEGINNING OF 1974, THE NEW COMPANY WILL BE CAPITALIZED AT AN ESTIMATED U.S. DOLS 220 MILLION, 65 PERCENT CONTRIBUTED BY FIAT AND 35 PERCENT BY ALLIS CHALMERS. FIAT WILL REPORTEDLY MAKE A CASH PAYMENT OF U.S. DOLS 20 MILLION AS PART OF ITS CONTRIBUTION. THE BENEFITS OF THE UNION, ACCORDING TO LOCAL PRESS, ARE (A) WIDER SELECTION OF PRODUCTS; (B) REINFORCEMENT OF EXISTING SALES, SERVICE AND TECHNICAL ASSISTANCE NETWORKS; (C) INCREASE OF PRODUCTION AND CREATION OF ADDITIONAL EMPLOYMENT; AND (D) IMPROVEMENTS IN PRODUCT QUALITY AND TECHNICAL CHARACTERISTICS.

2. PRESIDENT OF MILAN-HEADQUARTERED ALLIS-CHALMERS ITALIA ROBERT WOLLBERG EMPHASIZED TO CONSULATE OFFICER THAT DETAILS UNCLASSIFIED

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AND PRECISE IMPLEMENTATION OF AGREEMENT REMAIN TO BE WORKED

OUT, BUT THAT NO IMMEDIATE CHANGES IN ITALIAN OPERATIONS ARE EXPECTED. HE FORSEES SIGNIFICANT BENEFITS TO ALLIS-CHALMERS ITALIA FROM NEW RELATIONSHIP, PARTICULARLY FROM FIAT'S WORLDWIDE MARKETING EXPERTISE AND SALES ORGANIZATION DEVELOPED AS RESULT FIAT'S AUTOMOTIVE OPERATIONS AND INCREASED EXPLOITATION OF FIAT'S NEW HEAVY EQUIPMENT MANUFACTURING FACILITY AT LECCE.

3. ALLIS-CHALMERS ITALIA MANUFACTURES INDUSTRIAL CRAWLER LOADERS, CRAWLER TRACTORS, PIPE-LAYERS, BULLDOZERS AND PARTS AT MODEST-SIZED PLANT OUTSIDE MILAN EMPLOYING 400 PEOPLE. NINETY PERCENT OF CURRENT PRODUCTION IS EXPORTED MOSTLY AFRICA, MIDDLEAST AND FAR EAST. WOLLBERG STATED THAT ALLIS CHALMERS ITALIA CURRENTLY SOURCES 50 PERCENT U.S. AND 50 PERCENT ITALY, AND THAT HE FORESEES NO SHORT-TERM CHANGE EXCEPT IN ITALIAN BUYING PATTERNS AS SHIFT IS MADE TO FIAT AND FIAT-LINKED COMPONENT SUPPLIERS TO TAKE ADVANTAGE OF DISCOUNTS AND OTHER SPECIAL ARRANGEMENTS. CHANGING OF U.S.-MANUFACTURED COMPONENTS WOULD MEAN RE-DESIGN OF EXISTING PRODUCT LINE, NEITHER OF WHICH ARE CONTEMPLATED AT THE PRESENT TIME. DAVIS

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## Message Attributes

**Automatic Decaptioning:** X  
**Capture Date:** 01 JAN 1994  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** n/a  
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**Draft Date:** 13 JUL 1973  
**Decaption Date:** 01 JAN 1960  
**Decaption Note:**  
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**Disposition Approved on Date:**  
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**Disposition Comment:**  
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**Original Classification:** UNCLASSIFIED  
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**Page Count:** 2  
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**Reference:** n/a  
**Review Action:** RELEASED, APPROVED  
**Review Authority:** kelleyw0  
**Review Comment:** n/a  
**Review Content Flags:**  
**Review Date:** 24 JAN 2002  
**Review Event:**  
**Review Exemptions:** n/a  
**Review History:** RELEASED <24-Jan-2002 by elbezefj>; APPROVED <12 MAR 2002 by kelleyw0>  
**Review Markings:**

Declassified/Released  
US Department of State  
EO Systematic Review  
30 JUN 2005

**Review Media Identifier:**  
**Review Referrals:** n/a  
**Review Release Date:** n/a  
**Review Release Event:** n/a  
**Review Transfer Date:**  
**Review Withdrawn Fields:** n/a  
**Secure:** OPEN  
**Status:** NATIVE  
**Subject:** ALLIS-CHALMERS AND FIAT AGREEMENT  
**TAGS:** n/a  
**To:** STATE  
**Type:** TE  
**Markings:** Declassified/Released US Department of State EO Systematic Review 30 JUN 2005